



NORTH CAROLINA  
ADMINISTRATIVE OFFICE  
*of the* COURTS

# Results of the 2016 Internal Controls Audit for Indigent Defense Services

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## **About the North Carolina Judicial Branch**

The mission of the North Carolina Judicial Branch is to protect and preserve the rights and liberties of all the people, as guaranteed by the Constitutions and laws of the United States and North Carolina, by providing a fair, independent and accessible forum for the just, timely and economical resolution of their legal affairs.

## **About the North Carolina Administrative Office of the Courts**

The mission of the North Carolina Administrative Office of the Courts is to provide services to help North Carolina's unified court system operate more efficiently and effectively, taking into account each courthouse's diverse needs, caseloads, and available resources.

## **About the Internal Audit Program**

The Internal Audit Program serves the Judicial Branch by authority of [G.S. § 7A-343\(3a\)](#) which provides the foundation for its existence along with its responsibilities. The mission of the Internal Audit Program is to provide independent, objective assurance and consulting activities that add value and improve the operations of the Judicial Branch. Our activities are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

# Engagement Overview

## Objectives

The engagement was termed an internal controls audit, and the objectives were to add value and improve operations of Indigent Defense Services (IDS) by independently evaluating the effectiveness and efficiency of internal controls designed to mitigate and detect significant risks.

## General Statute

This audit is not being conducted as a result of being high risk as determined by the 2016 Judicial Branch Risk Assessment, but rather to fulfill [G.S. § 7A-498.2\(d\)](#), which requires an annual audit by NCAOC.

## Audit Procedures

To accomplish this objective we gained an understanding of the relevant internal controls and performed audit procedures to test the internal controls' design and function. These audit procedures included interviewing employees, observing operations, analyzing data, and reviewing financial records and other documents.

## Scope

Our initial audit scope covered the period from January 1, 2015 through February 29, 2016, however was expanded for certain audit procedures to include the most current processes, controls, and transactions.

## Audit Standards

This engagement was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.



# Overall Results

## Audit Opinion Defined

Due to our understanding of the organization's risks and internal controls, the nature and extent of audit evidence gathered, the sufficient resources available to us, and our experience assessing similar organizations within the Judicial Branch, we feel we have the ability to express an audit opinion on the effectiveness and efficiency of internal controls. We also feel the need for an audit opinion exists, as it increases the value and clarity on the level of assurance given to our audit client.

This audit opinion is a limited assurance opinion, which means the possibility exists for significant issues to be present and go undetected by the audit process. For uniformity, we use the following tier grading system for our assessment of internal controls:

Internal Controls Grading System	
Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.

## Overall Audit Opinion – Effective



# Internal Control Evaluations

All internal controls tested were determined to be *Effective*. These internal controls included:

- Periodic analysis of case and cost data to identify potential for public defender expansion
- Approval of all attorney fee applications, including flagging those with certain characteristics to obtain multiple layers of approval
- Approval of time sheets to support hours spent by attorneys in capital cases or potentially capital cases
- Submission of attorney fee applications by public defenders
- Authorizations of judges to appoint attorneys to indigent defendants
- Authorizations of judges or IDS to use expert witnesses
- Identification and investigation of attorney fee applications that have characteristics of a duplicate nature
- Public defender compliance with the Travel Policy



# Process Improvement

## Manual System for Processing Attorney Fee Applications

The system used for processing attorney fee applications in order to compensate privately assigned counsel (PAC) for their work involves many manual processes requiring significant time, effort, and costs with many limitations. We estimate that it requires 2,972 hours and \$116,105 to process hard copy fee applications annually. These documents are delivered by clerk of court to IDS staff via Department of Administration (DOA) courier services or the US Postal Service. The process inefficiency is even more apparent with capital cases and potentially-capital cases where hard copy documents must be mailed to multiple offices of IDS for duplicate entry of data in multiple systems. This is also true for any fee applications determined to be inaccurate or incomplete as they must be mailed at least three times before an accurate payment is made.

*Recommendation:* A software application where attorneys enter fee application data, judges and IDS electronically approve payments, the North Carolina Accounting System (NCAS) is updated automatically, and payments are automated would be a significant process improvement. Some of the many benefits would include:

- Significantly decreased time required of IDS accounting staff
- Decreased time required of clerk of court staff
- Faster processing and payments
- Reduced risk of data entry errors
- Automated controls to ensure public defender data entry
- Automated controls to identify inaccurate or duplicate fee applications
- Potential decrease in overall costs

*Additional Consideration:* Even without an automated system, if clerks of court could be encouraged to scan fee applications and e-mail to IDS as opposed to using courier services or the US Postal Service to deliver hard copy documents, this alone would save an estimated \$31,930 per year.

